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State of New Jersey

EX PARTE OR LATE FILED

DIVISION OF THE RATEPAYER ADVOCATE
31 CLINTON STREET, 11TH FLOOR
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NEWARK NJ 07101

JAMES E. MCGREEVEY
Governor



BLOSSOM A. PERETZ, ESQ.
Ratepayer Advocate
and Director

January 31, 2002

VIA UPS NEXT DAY AIR

William F. Caton, Acting Secretary
Federal Communications Commission
445 12th Street, S.W., TW-B204
Washington, D.C. 20554

Re: Notice of Ex Parte CC Docket 01-347

Dear Acting Secretary Caton:

On Wednesday, January 30, 2002, Lawanda Gilbert, Deputy Ratepayer Advocate, Jose Rivera-Benitez, Assistant Deputy Ratepayer Advocate of the New Jersey Division of the Ratepayer Advocate, Christy Kunin and Michael McNeely of Blumenfeld & Cohen on behalf of the New Jersey Division of the Ratepayer Advocate, and the undersigned, Blossom A. Peretz, Ratepayer Advocate, met with Gail Cohen, Alexis Johns, Robert Tanner, Brent Olson, Jeremy Miller and Jon Reel of the Policy and Program Planning Division of the Common Carrier Bureau, Robert McDonald of the Network Services Division of the Common Carrier Bureau and Josh Swift of the Competitive Pricing Division of the Common Carrier Bureau.

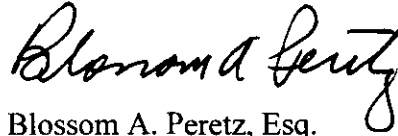
The discussion of this meeting focused on the Ratepayer Advocate's role in New Jersey; the public interest standard of Section 271 of the Telecommunications Act of 1996; the standards for Track A under Section 271; the extent of residential competition in New Jersey as it relates to Track A and the public interest standard; the status of the UNE rates set out by New Jersey Board of Public Utilities and their relation to the requirements of Section 271; Verizon-NJ's OSS in New Jersey and their relation to the requirements of Section 271; and prospects for CLEC competition in New Jersey.

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Please contact me at 973/648-2690 if you have any questions or if I can be of further assistance.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Blossom A. Peretz".

Blossom A. Peretz, Esq.
Ratepayer Advocate

Attachments



NEW JERSEY DIVISION OF THE RATEPAYER ADVOCATE

Competition must thrive if consumers are to benefit from energy and local telephone deregulation

Customer choice, lower rates, and reliability are the bottom line for consumers when it comes to electric, gas and telecommunications deregulation.

However, in some states, legislators and regulators are approving rules that provide "quick fix" rate reductions, but allow the traditional monopoly utility to retain its market power and restrict the choices that consumers will have in the new utility marketplace. The proposed laws and regulations being discussed in these states may create competition without competitors, markets without marketers and customer choice without alternatives.

Some people argue that competition does not matter; that all utility customers want is an immediate rate reduction and reliable service. **The Ratepayer Advocate contends that utility restructuring must mean more to New Jersey consumers than a 5 to 10% "quick fix" rate decrease.** In fact, if we fail to provide a structure that encourages competitors to enter the New Jersey market, we will squander opportunities for lower rates, forego development of new technology, and inhibit the growth of a market that could create even greater savings for ratepayers.

Instead, we will have created deregulated monopolies, an astonishing hijacking of the concept of deregulation.

The Division of the Ratepayer Advocate, which represents all New Jersey utility consumers in proceedings to determine the competitive structure of each utility industry, contends that the State of New Jersey can achieve a balance that protects consumers and encourages competition without impairing the financial integrity of our utility companies. Barriers to entering New Jersey's competitive market can be reduced and New Jersey's consumers can reap the benefits of utility competition if three conditions exist:

- ***No one utility can have a dominant share of the market, and each utility must "unbundle" its services;***
- ***Incentives must be in place for marketers to provide service in New Jersey;***
- ***Customers must understand their choices, and be free to choose providers without great effort or cost.***

"If we fail to provide a structure that encourages competitors to enter the New Jersey market, we will squander opportunities for lower rates, forego development of new technology, and inhibit the growth of a market that could create even greater savings," said Ratepayer Advocate Blossom A. Peretz, Esq.

The telephone, gas and electric utilities ... as well as the new marketers and competitors and the Ratepayer Advocate ... have filed reams of papers, briefs and attachments at the Board of Public Utilities in cases that will determine the shape of competition or lack of competition in New Jersey. Nonetheless, the basic principles that govern competition are straightforward.

In the recent telecommunications proceeding at the Board of Public Utilities on local competition in New Jersey, the Ratepayer Advocate called for Board action which we believe will provide proper incentives for market entry. First, the Board must reduce the prohibitively high cost set for wholesale prices competitive carriers must pay to purchase elements of Bell Atlantic-New Jersey's network that allow competitors to service their own customers. Second, the Board must ensure compliance by Bell Atlantic-New Jersey with quality performance standards to ensure access by competitors to its Operations Support Systems and establish stringent penalties in the event

that Bell Atlantic-New Jersey fails to provide such access on a nondiscriminatory basis. Finally, we asked the Board to set a firm deadline within which it must act to resolve disputes between Bell Atlantic-New Jersey and competitive carriers.

In the energy restructuring proceedings at the OAL and at the Board, and at hearings before the legislative committees, the Ratepayer Advocate has argued forcefully for mitigation of stranded costs, unbundling of rates and services, and has advocated that municipalities and/or counties should have the right to act as aggregators that can shop for energy services on behalf of their load and the energy load of customers in their areas. The Ratepayer Advocate believes that residential customers will see the greatest rate reductions and that suppliers of energy and phone services will only compete for New Jersey's residential customers if legislation encourages the formation of these municipal or county utility buying groups.

Only a vigorous competitive market structure will provide long-term opportunities for new entrants and the promise of increased choices, lower prices, and better service to the consumers of this State. The Ratepayer Advocate is dedicated to protecting the interests of all consumers and stakeholders and in the dual role of "Ratepayer Advocate" and "Competition Advocate" to insure that the promises of competition flow to benefit all consumers and the economy of the State of New Jersey.

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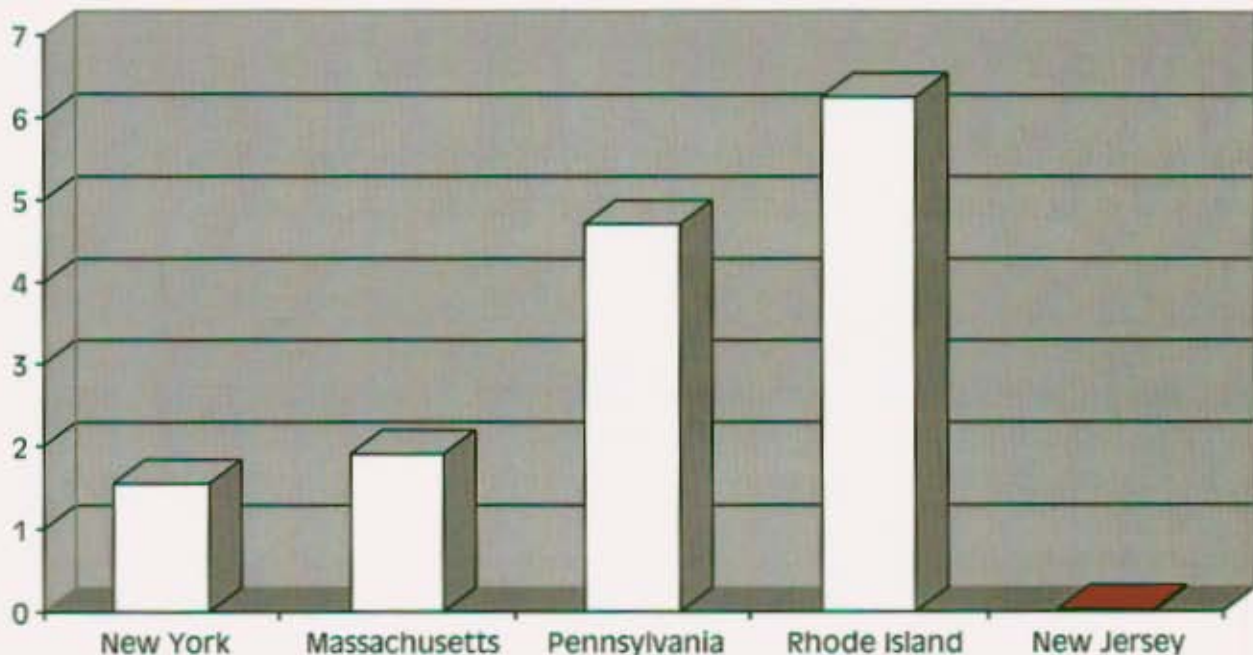
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<http://www.njin.net/rpa>



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Penetration rates for residential facilities-based competitive car



Sources:

* New York: *Application by Bell Atlantic New York for Authorization Under Section 271 of the Communications Act to Provide In-Region, InterLATA Service in the State of New York*, 15 FCC Rcd 3953, CC Docket No. 99-295, FCC 99-404 ¶ 14 (1999).

* Massachusetts: *Application of Verizon New England et al. to Provide In-Region, InterLATA Service in Massachusetts*, CC Docket No. 00-176, Verizon Application at 5 (filed Sept. 2000).

* Pennsylvania: *Application of Verizon Pennsylvania et al. to Provide In-Region, InterLATA Service in Pennsylvania*, CC Docket No. 01-138, Verizon Application, Declaration of William Taylor, ¶¶ 3, 51, 52 (filed June 2001).

* Rhode Island: *Application of Verizon New England et al. to Provide In-Region, InterLATA Service in Rhode Island*, CC Docket No. 01-324, Verizon Application at 8 (filed Nov. 26, 2001).

* New Jersey: *Application of Verizon New Jersey et al. to Provide In-Region, InterLATA Service in New Jersey*, CC Docket No. 01-347, Verizon Application at 8 (filed Dec. 20, 2001). Calculation performed by Dr. Lee L. Selwyn, declarant for the New Jersey Division of the Ratepayer Advocate.

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**-Table of Status of CLEC Competition in Various States -
Prior to Approval of Section 271 Application of Incumbent Carrier**

STATE	DATE 271 APPLICATION FILED	NUMBER OF END USER LINES SERVED BY CLEC	PERCENTAGE OF TOTAL LINES SERVED BY CLEC	ILEC	DATE 271 APPROVAL RECEIVED
Pennsylvania	6/21/01	870,618	10%	Verizon	9/19/01
Massachusetts	1/16/01	509,731	11%	Verizon	4/16/01
New York	9/29/99	1,469,000	9.8%	Verizon	12/22/99
New Jersey	9/5/01	323,680	5%	Verizon	Pending

Sources:

Pennsylvania, Massachusetts

FCC Report on Status of Local Telephone Competition, May 21, 2001 (Table 6 - Dec. 31, 2001)

FCC Report on Status of Local Telephone Competition, December 31, 2000 (Table 6 - May 21, 2001).

New York

NYPSC Analysis of Local Exchange Service Competition in New York State, Dec. 31, 2000.

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DIVISION OF THE RATEPAYER ADVOCATE

Working for ALL
New Jersey Utility Consumers

❖ WHAT IS THE MISSION OF THE DIVISION OF THE RATEPAYER ADVOCATE?

The Division of the Ratepayer Advocate is an independent state agency that represents and protects the interests of all utility customers — residential, small business, commercial and industrial — whenever companies in New Jersey seek changes in their rates or their delivery of natural gas, electric, water, wastewater, telephone or cable TV services. We also represent consumers when energy and telecommunications services are being offered by new suppliers through contracts in a competitive marketplace.

Established in 1994 with the enactment of then Governor Christine Todd Whitman's Reorganization Plan, the Ratepayer Advocate's office is directed by Blossom A. Peretz, Esq. Ms. Peretz has specialized in energy and utility law throughout her 20-year career as an attorney, with a particular focus on consumer interests.

The mission of the Ratepayer Advocate is to make sure that all classes of state ratepayers receive safe, adequate and essential services at affordable rates that are just and nondiscriminatory.

Companies cannot increase their rates until the New Jersey Board of Public Utilities approves the changes. To obtain BPU approval, the company must demonstrate that such a change is justified. It files its rate proposal with the BPU to prove that an increase is warranted.

In every case, the Ratepayer Advocate thoroughly investigates all aspects of the company's filing and develops a position that protects ratepayers' interests for reasonable rates and excellent service quality.

When scheduled the office represents consumers at evidentiary hearings. Attorneys representing the Ratepayer Advocate cross-examine the company's witnesses and submit evidence to support the consumers' point of view.

As a member of all state utility policy-making groups, the Ratepayer Advocate is a voice for ratepayers in setting future energy, water, and telecommunications policies affecting these essential services to New Jersey residents.

In addition, the Ratepayer Advocate works to ensure that all customers are educated about both the choices they have in the marketplace and the opportunities that are available to save money through conservation efforts.

By ensuring that the consumers' voice is heard at the outset of the policy-making process, the Ratepayer Advocate plays a key role in developing these policies and making sure that ratepayers' concerns are directly addressed.

❖ HOW ELSE DOES THE RATEPAYER ADVOCATE WORK FOR CONSUMERS?

New opportunities and challenges are emerging from the restructuring of the energy and telecommunications marketplace. The Ratepayer Advocate provides ratepayers a voice in the long-range energy and telecommunications policies of this state.

There is a compelling need to represent the interests of all ratepayers during the transition to the competitive market place to ensure that the benefits of competition are available to all residential, not for profit, government, and small business consumers, as well as large industrial customers.

The Ratepayer Advocate plays an active role in developing long-term energy and telecommunications policies to bring lower rates and affordable, new technologies for all customers. Staff attorneys meet regularly with representatives of all classes of customer groups to discuss their concerns. One of the office's overriding concerns is education about existing federal and state dollars available for low-income ratepayers in times of need.

To ensure that all New Jersey consumers benefit from energy and telecommunications deregulation, the Division of the Ratepayer Advocate also works with legislative representatives and officials from state and local government in the development of policies that will enable consumers to make educated choices about suppliers for their electricity, natural gas, and telecommunications services. We also testify and provide comments on proposed water, energy and telecommunications legislation.

The Ratepayer Advocate is working to ensure that the State of New Jersey establishes Universal Service Funds to provide access to affordable energy and telecommunications services for all customers, including low-income customers and those residing in remote rural areas. The fund would also provide discounted telecommunications rates for all New Jersey's K-12 schools and public libraries.

VISIT OUR WEBSITE:
www.rpa.state.nj.us

HOW CAN CONSUMERS BENEFIT FROM COMPETITION?

Consumers already have options in choosing their long distance telephone carrier, internet provider, electric, and natural gas services. State and federal efforts will give customers more choices, with freedom to choose who will supply their local telephone and cable television services.

The benefits of competition require educated consumers. Consumers must have information to make informed choices and to avoid being deceived by consumer fraud. The staff of the Division of the Ratepayer Advocate has prepared materials, continually meets with constituent groups, and has sponsored seminars, public meetings, and round tables to explain competition and the options available for various groups to enjoy the benefits of competition. We are committed to consumer education initiatives to ensure that all ratepayers in New Jersey understand new options and opportunities.

To request a speaker for your organization:
(973) 648-2690

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The Mission of The Ratepayer Advocate

To represent, advance and protect the interests of all state consumers of essential services regulated by the Board of Public Utilities, including but not limited to gas, electric, water, wastewater and telecommunications, whenever providers of such services seek to change their rates, market their services or change or cancel their delivery.

To accomplish its mission, the Ratepayer Advocate, as the representative of all state ratepayers

- is an active participant in all state energy, water, and telecommunications policy planning bodies.
- is an active party in administrative proceedings before the Office of Administrative Law, Board of Public Utilities, federal agencies and in related matters before the state and federal courts.
- negotiates with providers before, during and after they contract with consumers to deliver essential services to ensure that the best interests of consumers and the economic health of the State are protected.
- assists and advises the Board of Public Utilities and the state legislature through the exchange of information and recommendations on long term planning for the delivery of efficient, reliable, and economical essential services to all consumers, including affordable new technologies.
- participates in the development and implementation of statewide consumer protection and education plans, and plans for energy conservation.
- continues to represent ratepayers in proceedings setting rates and services in those market areas that remain subject to traditional regulation.
- supports efforts to introduce competition and deregulation that benefit all ratepayers.



Blossom A. Peretz, Esq.
Director

James E. McGreevey
Governor

